

1 processed through participating financial institutions.
2 "Participating financial institution", as used in this
3 Section, means any financial institution insured by the
4 Federal Deposit Insurance Corporation and lawfully doing
5 business in the State of Illinois and any credit union
6 approved by the State Treasurer and lawfully doing business
7 in the State of Illinois that agrees to process new accounts
8 in the College Savings Pool. Participating financial
9 institutions may charge a processing fee to participants to
10 open an account in the pool that shall not exceed \$30 until
11 the year 2001. Beginning in 2001 and every year thereafter,
12 the maximum fee limit shall be adjusted by the Treasurer
13 based on the Consumer Price Index for the North Central
14 Region as published by the United States Department of Labor,
15 Bureau of Labor Statistics for the immediately preceding
16 calendar year. Every contribution received by a financial
17 institution for investment in the College Savings Pool shall
18 be transferred from the financial institution to a location
19 selected by the State Treasurer within one business day
20 following the day that the funds must be made available in
21 accordance with federal law. All communications from the
22 State Treasurer to participants shall reference the
23 participating financial institution at which the account was
24 processed.

25 The Treasurer may invest the moneys in the College
26 Savings Pool in the same manner, in the same types of
27 investments, and subject to the same limitations provided for
28 the investment of moneys by the Illinois State Board of
29 Investment. To enhance the safety and liquidity of the
30 College Savings Pool, to ensure the diversification of the
31 investment portfolio of the pool, and in an effort to keep
32 investment dollars in the State of Illinois, the State
33 Treasurer shall make a percentage of each account available
34 for investment in participating financial institutions doing

1 business in the State. The State Treasurer shall deposit
2 with the participating financial institution at which the
3 account was processed the following percentage of each
4 account at a prevailing rate offered by the institution,
5 provided that the deposit is federally insured or fully
6 collateralized and the institution accepts the deposit: 10%
7 of the total amount of each account for which the current age
8 of the beneficiary is less than 7 years of age, 20% of the
9 total amount of each account for which the beneficiary is at
10 least 7 years of age and less than 12 years of age, and 50%
11 of the total amount of each account for which the current age
12 of the beneficiary is at least 12 years of age. The State
13 Treasurer shall adjust each account at least annually to
14 ensure compliance with this Section. The Treasurer shall
15 develop, publish, and implement an investment policy covering
16 the investment of the moneys in the College Savings Pool.
17 The policy shall be published (i) at least once each year in
18 at least one newspaper of general circulation in both
19 Springfield and Chicago and (ii) each year as part of the
20 audit of the College Savings Pool by the Auditor General,
21 which shall be distributed to all participants. The
22 Treasurer shall notify all participants in writing, and the
23 Treasurer shall publish in a newspaper of general circulation
24 in both Chicago and Springfield, any changes to the
25 previously published investment policy at least 30 calendar
26 days before implementing the policy. Any investment policy
27 adopted by the Treasurer shall be reviewed and updated if
28 necessary within 90 days following the date that the State
29 Treasurer takes office.

30 Participants shall be required to use moneys distributed
31 from the College Savings Pool for qualified expenses at
32 eligible educational institutions. "Qualified expenses", as
33 used in this Section, means the following: (i) tuition, fees,
34 and the costs of books, supplies, and equipment required for

1 enrollment or attendance at an eligible educational
2 institution and (ii) certain room and board expenses incurred
3 while attending an eligible educational institution at least
4 half-time. "Eligible educational institutions", as used in
5 this Section, means public and private colleges, junior
6 colleges, graduate schools, and certain vocational
7 institutions that are described in Section 481 of the Higher
8 Education Act of 1965 (20 U.S.C. 1088) and that are eligible
9 to participate in Department of Education student aid
10 programs. A student shall be considered to be enrolled at
11 least half-time if the student is enrolled for at least half
12 the full-time academic work load for the course of study the
13 student is pursuing as determined under the standards of the
14 institution at which the student is enrolled. Distributions
15 made from the pool for qualified expenses shall be made
16 directly to the eligible educational institution, directly to
17 a vendor, or in the form of a check payable to both the
18 beneficiary and the institution or vendor. Any moneys that
19 are distributed in any other manner or that are used for
20 expenses other than qualified expenses at an eligible
21 educational institution shall be subject to a penalty of 10%
22 of the earnings unless the beneficiary dies, becomes
23 disabled, or receives a scholarship that equals or exceeds
24 the distribution. Penalties shall be withheld at the time
25 the distribution is made.

26 The Treasurer shall limit the contributions that may be
27 made on behalf of a designated beneficiary based on an
28 actuarial estimate of what is required to pay tuition, fees,
29 and room and board for 5 undergraduate years at the highest
30 cost eligible educational institution. The contributions made
31 on behalf of a beneficiary who is also a beneficiary under
32 the Illinois Prepaid Tuition Program shall be further
33 restricted to ensure that the contributions in both programs
34 combined do not exceed the limit established for the College

1 Savings Pool. The Treasurer shall provide the Illinois
2 Student Assistance Commission each year at a time designated
3 by the Commission, an electronic report of all participant
4 accounts in the Treasurer's College Savings Pool, listing
5 total contributions and disbursements from each individual
6 account during the previous calendar year. As soon
7 thereafter as is possible following receipt of the
8 Treasurer's report, the Illinois Student Assistance
9 Commission shall, in turn, provide the Treasurer with an
10 electronic report listing those College Savings Pool
11 participants who also participate in the State's prepaid
12 tuition program, administered by the Commission. The
13 Commission shall be responsible for filing any combined tax
14 reports regarding State qualified savings programs required
15 by the United States Internal Revenue Service. The Treasurer
16 shall work with the Illinois Student Assistance Commission to
17 coordinate the marketing of the College Savings Pool and the
18 Illinois Prepaid Tuition Program when considered beneficial
19 by the Treasurer and the Director of the Illinois Student
20 Assistance Commission. The Treasurer's office shall not
21 publicize or otherwise market the College Savings Pool or
22 accept any moneys into the College Savings Pool prior to
23 March 1, 2000. The Treasurer shall provide a separate
24 accounting for each designated beneficiary to each
25 participant, the Illinois Student Assistance Commission, and
26 the participating financial institution at which the account
27 was processed. No interest in the program may be pledged as
28 security for a loan.

29 The assets of the College Savings Pool and its income and
30 operation shall be exempt from all taxation by the State of
31 Illinois and any of its subdivisions. The accrued earnings
32 on investments in the Pool once disbursed on behalf of a
33 designated beneficiary shall be similarly exempt from all
34 taxation by the State of Illinois and its subdivisions, so

1 long as they are used for qualified expenses. Contributions
2 to a College Savings Pool account during the taxable year may
3 be deducted from adjusted gross income as provided in Section
4 203 of the Illinois Income Tax Act. The provisions of this
5 paragraph are exempt from Section 250 of the Illinois Income
6 Tax Act.

7 The Treasurer shall adopt rules he or she considers
8 necessary for the efficient administration of the College
9 Savings Pool. The rules shall provide whatever additional
10 parameters and restrictions are necessary to ensure that the
11 College Savings Pool meets all of the requirements for a
12 qualified state tuition program under Section 529 of the
13 Internal Revenue Code (26 U.S.C. 529). The rules shall
14 provide for the administration expenses of the pool to be
15 paid from its earnings and for the investment earnings in
16 excess of the expenses and all moneys collected as penalties
17 to be credited or paid monthly to the several participants in
18 the pool in a manner which equitably reflects the differing
19 amounts of their respective investments in the pool and the
20 differing periods of time for which those amounts were in the
21 custody of the pool. Also, the rules shall require the
22 maintenance of records that enable the Treasurer's office to
23 produce a report for each account in the pool at least
24 annually that documents the account balance and investment
25 earnings. Notice of any proposed amendments to the rules and
26 regulations shall be provided to all participants prior to
27 adoption. Amendments to rules and regulations shall apply
28 only to contributions made after the adoption of the
29 amendment.

30 Upon creating the College Savings Pool, the State
31 Treasurer shall give bond with 2 or more sufficient sureties,
32 payable to and for the benefit of the participants in the
33 College Savings Pool, in the penal sum of \$1,000,000,
34 conditioned upon the faithful discharge of his or her duties

1 in relation to the College Savings Pool.

2 No--contributions--to--the--College--Savings--Pool--authorized
3 by--this--Section--shall--be--considered--in--evaluating--the
4 financial--situation--of--the--designated--beneficiary--or--be
5 deemed--a--financial--resource--of--or--a--form--of--financial--aid--or
6 assistance--to--the--designated--beneficiary,--for--purposes--of
7 determining--eligibility--for--any--scholarship,--grant,--or
8 monetary--assistance--awarded--by--the--Illinois--Student
9 Assistance--Commission,--the--State,--or--any--agency--thereof;--nor
10 shall--contributions--to--the--College--Savings--Pool--reduce--the
11 amount--of--any--scholarship,--grant,--or--monetary--assistance--that
12 the--designated--beneficiary--is--eligible--to--be--awarded--by--the
13 Illinois--Student--Assistance--Commission,--the--State,--or--any
14 agency--thereof--in--accordance--with--the--provisions--of--any--State
15 law.

16 (Source: P.A. 91-607, eff. 1-1-00; 91-829, eff. 1-1-01;
17 92-16, eff. 6-28-01; 92-439, eff. 8-17-01; 92-626, eff.
18 7-11-02.)

19 Section 10. The Illinois Income Tax Act is amended by
20 changing Section 203 as follows:

21 (35 ILCS 5/203) (from Ch. 120, par. 2-203)
22 Sec. 203. Base income defined.

23 (a) Individuals.

24 (1) In general. In the case of an individual, base
25 income means an amount equal to the taxpayer's adjusted
26 gross income for the taxable year as modified by
27 paragraph (2).

28 (2) Modifications. The adjusted gross income
29 referred to in paragraph (1) shall be modified by adding
30 thereto the sum of the following amounts:

31 (A) An amount equal to all amounts paid or
32 accrued to the taxpayer as interest or dividends

1 during the taxable year to the extent excluded from
2 gross income in the computation of adjusted gross
3 income, except stock dividends of qualified public
4 utilities described in Section 305(e) of the
5 Internal Revenue Code;

6 (B) An amount equal to the amount of tax
7 imposed by this Act to the extent deducted from
8 gross income in the computation of adjusted gross
9 income for the taxable year;

10 (C) An amount equal to the amount received
11 during the taxable year as a recovery or refund of
12 real property taxes paid with respect to the
13 taxpayer's principal residence under the Revenue Act
14 of 1939 and for which a deduction was previously
15 taken under subparagraph (L) of this paragraph (2)
16 prior to July 1, 1991, the retrospective application
17 date of Article 4 of Public Act 87-17. In the case
18 of multi-unit or multi-use structures and farm
19 dwellings, the taxes on the taxpayer's principal
20 residence shall be that portion of the total taxes
21 for the entire property which is attributable to
22 such principal residence;

23 (D) An amount equal to the amount of the
24 capital gain deduction allowable under the Internal
25 Revenue Code, to the extent deducted from gross
26 income in the computation of adjusted gross income;

27 (D-5) An amount, to the extent not included in
28 adjusted gross income, equal to the amount of money
29 withdrawn by the taxpayer in the taxable year from a
30 medical care savings account and the interest earned
31 on the account in the taxable year of a withdrawal
32 pursuant to subsection (b) of Section 20 of the
33 Medical Care Savings Account Act or subsection (b)
34 of Section 20 of the Medical Care Savings Account

1 Act of 2000;

2 (D-10) For taxable years ending after December
3 31, 1997, an amount equal to any eligible
4 remediation costs that the individual deducted in
5 computing adjusted gross income and for which the
6 individual claims a credit under subsection (l) of
7 Section 201;

8 (D-15) For taxable years 2001 and thereafter,
9 an amount equal to the bonus depreciation deduction
10 (30% of the adjusted basis of the qualified
11 property) taken on the taxpayer's federal income tax
12 return for the taxable year under subsection (k) of
13 Section 168 of the Internal Revenue Code; and

14 (D-16) If the taxpayer reports a capital gain
15 or loss on the taxpayer's federal income tax return
16 for the taxable year based on a sale or transfer of
17 property for which the taxpayer was required in any
18 taxable year to make an addition modification under
19 subparagraph (D-15), then an amount equal to the
20 aggregate amount of the deductions taken in all
21 taxable years under subparagraph (Z) with respect to
22 that property;†

23 The taxpayer is required to make the addition
24 modification under this subparagraph only once with
25 respect to any one piece of property;‡ and

26 (D-20) ~~(D-15)~~ For taxable years beginning on
27 or after January 1, 2002 and ending on or before
28 December 31, 2002, in the case of a distribution
29 from a qualified tuition program under Section 529
30 of the Internal Revenue Code, other than (i) a
31 distribution from a College Savings Pool created
32 under Section 16.5 of the State Treasurer Act or
33 (ii) a distribution from the Illinois Prepaid
34 Tuition Trust Fund, an amount equal to the amount

1 excluded from gross income under Section
2 529(c)(3)(B). For taxable years beginning on or
3 after January 1, 2003, in the case of a distribution
4 from a qualified tuition program under Section 529
5 of the Internal Revenue Code, other than (i) a
6 distribution from a College Savings Pool created
7 under Section 16.5 of the State Treasurer Act, (ii)
8 a distribution from the Illinois Prepaid Tuition
9 Trust Fund, or (iii) a distribution from a qualified
10 tuition program under Section 529 of the Internal
11 Revenue Code that is administered by a state that
12 does not permit a sales load exceeding 4% and that
13 exempts from its income tax moneys distributed from
14 a qualified tuition program administered by the
15 State of Illinois, an amount equal to the amount
16 excluded from gross income under Section
17 529(c)(3)(B);

18 and by deducting from the total so obtained the sum of
19 the following amounts:

20 (E) For taxable years ending before December
21 31, 2001, any amount included in such total in
22 respect of any compensation (including but not
23 limited to any compensation paid or accrued to a
24 serviceman while a prisoner of war or missing in
25 action) paid to a resident by reason of being on
26 active duty in the Armed Forces of the United States
27 and in respect of any compensation paid or accrued
28 to a resident who as a governmental employee was a
29 prisoner of war or missing in action, and in respect
30 of any compensation paid to a resident in 1971 or
31 thereafter for annual training performed pursuant to
32 Sections 502 and 503, Title 32, United States Code
33 as a member of the Illinois National Guard. For
34 taxable years ending on or after December 31, 2001,

1 any amount included in such total in respect of any
2 compensation (including but not limited to any
3 compensation paid or accrued to a serviceman while a
4 prisoner of war or missing in action) paid to a
5 resident by reason of being a member of any
6 component of the Armed Forces of the United States
7 and in respect of any compensation paid or accrued
8 to a resident who as a governmental employee was a
9 prisoner of war or missing in action, and in respect
10 of any compensation paid to a resident in 2001 or
11 thereafter by reason of being a member of the
12 Illinois National Guard. The provisions of this
13 amendatory Act of the 92nd General Assembly are
14 exempt from the provisions of Section 250;

15 (F) An amount equal to all amounts included in
16 such total pursuant to the provisions of Sections
17 402(a), 402(c), 403(a), 403(b), 406(a), 407(a), and
18 408 of the Internal Revenue Code, or included in
19 such total as distributions under the provisions of
20 any retirement or disability plan for employees of
21 any governmental agency or unit, or retirement
22 payments to retired partners, which payments are
23 excluded in computing net earnings from self
24 employment by Section 1402 of the Internal Revenue
25 Code and regulations adopted pursuant thereto;

26 (G) The valuation limitation amount;

27 (H) An amount equal to the amount of any tax
28 imposed by this Act which was refunded to the
29 taxpayer and included in such total for the taxable
30 year;

31 (I) An amount equal to all amounts included in
32 such total pursuant to the provisions of Section 111
33 of the Internal Revenue Code as a recovery of items
34 previously deducted from adjusted gross income in

1 the computation of taxable income;

2 (J) An amount equal to those dividends
3 included in such total which were paid by a
4 corporation which conducts business operations in an
5 Enterprise Zone or zones created under the Illinois
6 Enterprise Zone Act, and conducts substantially all
7 of its operations in an Enterprise Zone or zones;

8 (K) An amount equal to those dividends
9 included in such total that were paid by a
10 corporation that conducts business operations in a
11 federally designated Foreign Trade Zone or Sub-Zone
12 and that is designated a High Impact Business
13 located in Illinois; provided that dividends
14 eligible for the deduction provided in subparagraph
15 (J) of paragraph (2) of this subsection shall not be
16 eligible for the deduction provided under this
17 subparagraph (K);

18 (L) For taxable years ending after December
19 31, 1983, an amount equal to all social security
20 benefits and railroad retirement benefits included
21 in such total pursuant to Sections 72(r) and 86 of
22 the Internal Revenue Code;

23 (M) With the exception of any amounts
24 subtracted under subparagraph (N), an amount equal
25 to the sum of all amounts disallowed as deductions
26 by (i) Sections 171(a) (2), and 265(2) of the
27 Internal Revenue Code of 1954, as now or hereafter
28 amended, and all amounts of expenses allocable to
29 interest and disallowed as deductions by Section
30 265(1) of the Internal Revenue Code of 1954, as now
31 or hereafter amended; and (ii) for taxable years
32 ending on or after August 13, 1999, Sections
33 171(a)(2), 265, 280C, and 832(b)(5)(B)(i) of the
34 Internal Revenue Code; the provisions of this

1 subparagraph are exempt from the provisions of
2 Section 250;

3 (N) An amount equal to all amounts included in
4 such total which are exempt from taxation by this
5 State either by reason of its statutes or
6 Constitution or by reason of the Constitution,
7 treaties or statutes of the United States; provided
8 that, in the case of any statute of this State that
9 exempts income derived from bonds or other
10 obligations from the tax imposed under this Act, the
11 amount exempted shall be the interest net of bond
12 premium amortization;

13 (O) An amount equal to any contribution made
14 to a job training project established pursuant to
15 the Tax Increment Allocation Redevelopment Act;

16 (P) An amount equal to the amount of the
17 deduction used to compute the federal income tax
18 credit for restoration of substantial amounts held
19 under claim of right for the taxable year pursuant
20 to Section 1341 of the Internal Revenue Code of
21 1986;

22 (Q) An amount equal to any amounts included in
23 such total, received by the taxpayer as an
24 acceleration in the payment of life, endowment or
25 annuity benefits in advance of the time they would
26 otherwise be payable as an indemnity for a terminal
27 illness;

28 (R) An amount equal to the amount of any
29 federal or State bonus paid to veterans of the
30 Persian Gulf War;

31 (S) An amount, to the extent included in
32 adjusted gross income, equal to the amount of a
33 contribution made in the taxable year on behalf of
34 the taxpayer to a medical care savings account

1 established under the Medical Care Savings Account
2 Act or the Medical Care Savings Account Act of 2000
3 to the extent the contribution is accepted by the
4 account administrator as provided in that Act;

5 (T) An amount, to the extent included in
6 adjusted gross income, equal to the amount of
7 interest earned in the taxable year on a medical
8 care savings account established under the Medical
9 Care Savings Account Act or the Medical Care Savings
10 Account Act of 2000 on behalf of the taxpayer, other
11 than interest added pursuant to item (D-5) of this
12 paragraph (2);

13 (U) For one taxable year beginning on or after
14 January 1, 1994, an amount equal to the total amount
15 of tax imposed and paid under subsections (a) and
16 (b) of Section 201 of this Act on grant amounts
17 received by the taxpayer under the Nursing Home
18 Grant Assistance Act during the taxpayer's taxable
19 years 1992 and 1993;

20 (V) Beginning with tax years ending on or
21 after December 31, 1995 and ending with tax years
22 ending on or before December 31, 2004, an amount
23 equal to the amount paid by a taxpayer who is a
24 self-employed taxpayer, a partner of a partnership,
25 or a shareholder in a Subchapter S corporation for
26 health insurance or long-term care insurance for
27 that taxpayer or that taxpayer's spouse or
28 dependents, to the extent that the amount paid for
29 that health insurance or long-term care insurance
30 may be deducted under Section 213 of the Internal
31 Revenue Code of 1986, has not been deducted on the
32 federal income tax return of the taxpayer, and does
33 not exceed the taxable income attributable to that
34 taxpayer's income, self-employment income, or

1 Subchapter S corporation income; except that no
2 deduction shall be allowed under this item (V) if
3 the taxpayer is eligible to participate in any
4 health insurance or long-term care insurance plan of
5 an employer of the taxpayer or the taxpayer's
6 spouse. The amount of the health insurance and
7 long-term care insurance subtracted under this item
8 (V) shall be determined by multiplying total health
9 insurance and long-term care insurance premiums paid
10 by the taxpayer times a number that represents the
11 fractional percentage of eligible medical expenses
12 under Section 213 of the Internal Revenue Code of
13 1986 not actually deducted on the taxpayer's federal
14 income tax return;

15 (W) For taxable years beginning on or after
16 January 1, 1998, all amounts included in the
17 taxpayer's federal gross income in the taxable year
18 from amounts converted from a regular IRA to a Roth
19 IRA. This paragraph is exempt from the provisions of
20 Section 250;

21 (X) For taxable year 1999 and thereafter, an
22 amount equal to the amount of any (i) distributions,
23 to the extent includible in gross income for federal
24 income tax purposes, made to the taxpayer because of
25 his or her status as a victim of persecution for
26 racial or religious reasons by Nazi Germany or any
27 other Axis regime or as an heir of the victim and
28 (ii) items of income, to the extent includible in
29 gross income for federal income tax purposes,
30 attributable to, derived from or in any way related
31 to assets stolen from, hidden from, or otherwise
32 lost to a victim of persecution for racial or
33 religious reasons by Nazi Germany or any other Axis
34 regime immediately prior to, during, and immediately

1 after World War II, including, but not limited to,
2 interest on the proceeds receivable as insurance
3 under policies issued to a victim of persecution for
4 racial or religious reasons by Nazi Germany or any
5 other Axis regime by European insurance companies
6 immediately prior to and during World War II;
7 provided, however, this subtraction from federal
8 adjusted gross income does not apply to assets
9 acquired with such assets or with the proceeds from
10 the sale of such assets; provided, further, this
11 paragraph shall only apply to a taxpayer who was the
12 first recipient of such assets after their recovery
13 and who is a victim of persecution for racial or
14 religious reasons by Nazi Germany or any other Axis
15 regime or as an heir of the victim. The amount of
16 and the eligibility for any public assistance,
17 benefit, or similar entitlement is not affected by
18 the inclusion of items (i) and (ii) of this
19 paragraph in gross income for federal income tax
20 purposes. This paragraph is exempt from the
21 provisions of Section 250;

22 (Y) For taxable years beginning on or after
23 January 1, 2002 and ending on or before December 31,
24 2002, moneys contributed in the taxable year to a
25 College Savings Pool account under Section 16.5 of
26 the State Treasurer Act, except that amounts
27 excluded from gross income under Section
28 529(c)(3)(C)(i) of the Internal Revenue Code shall
29 not be considered moneys contributed under this
30 subparagraph (Y). For taxable years beginning on or
31 after January 1, 2003, a maximum of \$10,000
32 contributed in the taxable year to (i) a College
33 Savings Pool account under Section 16.5 of the State
34 Treasurer Act or (ii) the Illinois Prepaid Tuition

1 Trust Fund, except that amounts excluded from gross
2 income under Section 529(c)(3)(C)(i) of the Internal
3 Revenue Code shall not be considered moneys
4 contributed under this subparagraph (Y). This
5 subparagraph (Y) is exempt from the provisions of
6 Section 250;

7 (Z) For taxable years 2001 and thereafter, for
8 the taxable year in which the bonus depreciation
9 deduction (30% of the adjusted basis of the
10 qualified property) is taken on the taxpayer's
11 federal income tax return under subsection (k) of
12 Section 168 of the Internal Revenue Code and for
13 each applicable taxable year thereafter, an amount
14 equal to "x", where:

15 (1) "y" equals the amount of the
16 depreciation deduction taken for the taxable
17 year on the taxpayer's federal income tax
18 return on property for which the bonus
19 depreciation deduction (30% of the adjusted
20 basis of the qualified property) was taken in
21 any year under subsection (k) of Section 168 of
22 the Internal Revenue Code, but not including
23 the bonus depreciation deduction; and

24 (2) "x" equals "y" multiplied by 30 and
25 then divided by 70 (or "y" multiplied by
26 0.429).

27 The aggregate amount deducted under this
28 subparagraph in all taxable years for any one piece
29 of property may not exceed the amount of the bonus
30 depreciation deduction (30% of the adjusted basis of
31 the qualified property) taken on that property on
32 the taxpayer's federal income tax return under
33 subsection (k) of Section 168 of the Internal
34 Revenue Code; and

1 (AA) If the taxpayer reports a capital gain or
2 loss on the taxpayer's federal income tax return for
3 the taxable year based on a sale or transfer of
4 property for which the taxpayer was required in any
5 taxable year to make an addition modification under
6 subparagraph (D-15), then an amount equal to that
7 addition modification.

8 The taxpayer is allowed to take the deduction
9 under this subparagraph only once with respect to
10 any one piece of property; and

11 (BB) ~~(Z)~~ Any amount included in adjusted gross
12 income, other than salary, received by a driver in a
13 ridesharing arrangement using a motor vehicle.

14 (b) Corporations.

15 (1) In general. In the case of a corporation, base
16 income means an amount equal to the taxpayer's taxable
17 income for the taxable year as modified by paragraph (2).

18 (2) Modifications. The taxable income referred to
19 in paragraph (1) shall be modified by adding thereto the
20 sum of the following amounts:

21 (A) An amount equal to all amounts paid or
22 accrued to the taxpayer as interest and all
23 distributions received from regulated investment
24 companies during the taxable year to the extent
25 excluded from gross income in the computation of
26 taxable income;

27 (B) An amount equal to the amount of tax
28 imposed by this Act to the extent deducted from
29 gross income in the computation of taxable income
30 for the taxable year;

31 (C) In the case of a regulated investment
32 company, an amount equal to the excess of (i) the
33 net long-term capital gain for the taxable year,
34 over (ii) the amount of the capital gain dividends

1 designated as such in accordance with Section
2 852(b)(3)(C) of the Internal Revenue Code and any
3 amount designated under Section 852(b)(3)(D) of the
4 Internal Revenue Code, attributable to the taxable
5 year (this amendatory Act of 1995 (Public Act 89-89)
6 is declarative of existing law and is not a new
7 enactment);

8 (D) The amount of any net operating loss
9 deduction taken in arriving at taxable income, other
10 than a net operating loss carried forward from a
11 taxable year ending prior to December 31, 1986;

12 (E) For taxable years in which a net operating
13 loss carryback or carryforward from a taxable year
14 ending prior to December 31, 1986 is an element of
15 taxable income under paragraph (1) of subsection (e)
16 or subparagraph (E) of paragraph (2) of subsection
17 (e), the amount by which addition modifications
18 other than those provided by this subparagraph (E)
19 exceeded subtraction modifications in such earlier
20 taxable year, with the following limitations applied
21 in the order that they are listed:

22 (i) the addition modification relating to
23 the net operating loss carried back or forward
24 to the taxable year from any taxable year
25 ending prior to December 31, 1986 shall be
26 reduced by the amount of addition modification
27 under this subparagraph (E) which related to
28 that net operating loss and which was taken
29 into account in calculating the base income of
30 an earlier taxable year, and

31 (ii) the addition modification relating
32 to the net operating loss carried back or
33 forward to the taxable year from any taxable
34 year ending prior to December 31, 1986 shall

1 not exceed the amount of such carryback or
2 carryforward;

3 For taxable years in which there is a net
4 operating loss carryback or carryforward from more
5 than one other taxable year ending prior to December
6 31, 1986, the addition modification provided in this
7 subparagraph (E) shall be the sum of the amounts
8 computed independently under the preceding
9 provisions of this subparagraph (E) for each such
10 taxable year;

11 (E-5) For taxable years ending after December
12 31, 1997, an amount equal to any eligible
13 remediation costs that the corporation deducted in
14 computing adjusted gross income and for which the
15 corporation claims a credit under subsection (l) of
16 Section 201;

17 (E-10) For taxable years 2001 and thereafter,
18 an amount equal to the bonus depreciation deduction
19 (30% of the adjusted basis of the qualified
20 property) taken on the taxpayer's federal income tax
21 return for the taxable year under subsection (k) of
22 Section 168 of the Internal Revenue Code; and

23 (E-11) If the taxpayer reports a capital gain
24 or loss on the taxpayer's federal income tax return
25 for the taxable year based on a sale or transfer of
26 property for which the taxpayer was required in any
27 taxable year to make an addition modification under
28 subparagraph (E-10), then an amount equal to the
29 aggregate amount of the deductions taken in all
30 taxable years under subparagraph (T) with respect to
31 that property;

32 The taxpayer is required to make the addition
33 modification under this subparagraph only once with
34 respect to any one piece of property;

1 and by deducting from the total so obtained the sum of
2 the following amounts:

3 (F) An amount equal to the amount of any tax
4 imposed by this Act which was refunded to the
5 taxpayer and included in such total for the taxable
6 year;

7 (G) An amount equal to any amount included in
8 such total under Section 78 of the Internal Revenue
9 Code;

10 (H) In the case of a regulated investment
11 company, an amount equal to the amount of exempt
12 interest dividends as defined in subsection (b) (5)
13 of Section 852 of the Internal Revenue Code, paid to
14 shareholders for the taxable year;

15 (I) With the exception of any amounts
16 subtracted under subparagraph (J), an amount equal
17 to the sum of all amounts disallowed as deductions
18 by (i) Sections 171(a) (2), and 265(a)(2) and
19 amounts disallowed as interest expense by Section
20 291(a)(3) of the Internal Revenue Code, as now or
21 hereafter amended, and all amounts of expenses
22 allocable to interest and disallowed as deductions
23 by Section 265(a)(1) of the Internal Revenue Code,
24 as now or hereafter amended; and (ii) for taxable
25 years ending on or after August 13, 1999, Sections
26 171(a)(2), 265, 280C, 291(a)(3), and 832(b)(5)(B)(i)
27 of the Internal Revenue Code; the provisions of this
28 subparagraph are exempt from the provisions of
29 Section 250;

30 (J) An amount equal to all amounts included in
31 such total which are exempt from taxation by this
32 State either by reason of its statutes or
33 Constitution or by reason of the Constitution,
34 treaties or statutes of the United States; provided

1 that, in the case of any statute of this State that
2 exempts income derived from bonds or other
3 obligations from the tax imposed under this Act, the
4 amount exempted shall be the interest net of bond
5 premium amortization;

6 (K) An amount equal to those dividends
7 included in such total which were paid by a
8 corporation which conducts business operations in an
9 Enterprise Zone or zones created under the Illinois
10 Enterprise Zone Act and conducts substantially all
11 of its operations in an Enterprise Zone or zones;

12 (L) An amount equal to those dividends
13 included in such total that were paid by a
14 corporation that conducts business operations in a
15 federally designated Foreign Trade Zone or Sub-Zone
16 and that is designated a High Impact Business
17 located in Illinois; provided that dividends
18 eligible for the deduction provided in subparagraph
19 (K) of paragraph 2 of this subsection shall not be
20 eligible for the deduction provided under this
21 subparagraph (L);

22 (M) For any taxpayer that is a financial
23 organization within the meaning of Section 304(c) of
24 this Act, an amount included in such total as
25 interest income from a loan or loans made by such
26 taxpayer to a borrower, to the extent that such a
27 loan is secured by property which is eligible for
28 the Enterprise Zone Investment Credit. To determine
29 the portion of a loan or loans that is secured by
30 property eligible for a Section 201(f) investment
31 credit to the borrower, the entire principal amount
32 of the loan or loans between the taxpayer and the
33 borrower should be divided into the basis of the
34 Section 201(f) investment credit property which

1 secures the loan or loans, using for this purpose
2 the original basis of such property on the date that
3 it was placed in service in the Enterprise Zone.
4 The subtraction modification available to taxpayer
5 in any year under this subsection shall be that
6 portion of the total interest paid by the borrower
7 with respect to such loan attributable to the
8 eligible property as calculated under the previous
9 sentence;

10 (M-1) For any taxpayer that is a financial
11 organization within the meaning of Section 304(c) of
12 this Act, an amount included in such total as
13 interest income from a loan or loans made by such
14 taxpayer to a borrower, to the extent that such a
15 loan is secured by property which is eligible for
16 the High Impact Business Investment Credit. To
17 determine the portion of a loan or loans that is
18 secured by property eligible for a Section 201(h)
19 investment credit to the borrower, the entire
20 principal amount of the loan or loans between the
21 taxpayer and the borrower should be divided into the
22 basis of the Section 201(h) investment credit
23 property which secures the loan or loans, using for
24 this purpose the original basis of such property on
25 the date that it was placed in service in a
26 federally designated Foreign Trade Zone or Sub-Zone
27 located in Illinois. No taxpayer that is eligible
28 for the deduction provided in subparagraph (M) of
29 paragraph (2) of this subsection shall be eligible
30 for the deduction provided under this subparagraph
31 (M-1). The subtraction modification available to
32 taxpayers in any year under this subsection shall be
33 that portion of the total interest paid by the
34 borrower with respect to such loan attributable to

1 the eligible property as calculated under the
2 previous sentence;

3 (N) Two times any contribution made during the
4 taxable year to a designated zone organization to
5 the extent that the contribution (i) qualifies as a
6 charitable contribution under subsection (c) of
7 Section 170 of the Internal Revenue Code and (ii)
8 must, by its terms, be used for a project approved
9 by the Department of Commerce and Community Affairs
10 under Section 11 of the Illinois Enterprise Zone
11 Act;

12 (O) An amount equal to: (i) 85% for taxable
13 years ending on or before December 31, 1992, or, a
14 percentage equal to the percentage allowable under
15 Section 243(a)(1) of the Internal Revenue Code of
16 1986 for taxable years ending after December 31,
17 1992, of the amount by which dividends included in
18 taxable income and received from a corporation that
19 is not created or organized under the laws of the
20 United States or any state or political subdivision
21 thereof, including, for taxable years ending on or
22 after December 31, 1988, dividends received or
23 deemed received or paid or deemed paid under
24 Sections 951 through 964 of the Internal Revenue
25 Code, exceed the amount of the modification provided
26 under subparagraph (G) of paragraph (2) of this
27 subsection (b) which is related to such dividends;
28 plus (ii) 100% of the amount by which dividends,
29 included in taxable income and received, including,
30 for taxable years ending on or after December 31,
31 1988, dividends received or deemed received or paid
32 or deemed paid under Sections 951 through 964 of the
33 Internal Revenue Code, from any such corporation
34 specified in clause (i) that would but for the

1 provisions of Section 1504 (b) (3) of the Internal
2 Revenue Code be treated as a member of the
3 affiliated group which includes the dividend
4 recipient, exceed the amount of the modification
5 provided under subparagraph (G) of paragraph (2) of
6 this subsection (b) which is related to such
7 dividends;

8 (P) An amount equal to any contribution made
9 to a job training project established pursuant to
10 the Tax Increment Allocation Redevelopment Act;

11 (Q) An amount equal to the amount of the
12 deduction used to compute the federal income tax
13 credit for restoration of substantial amounts held
14 under claim of right for the taxable year pursuant
15 to Section 1341 of the Internal Revenue Code of
16 1986;

17 (R) In the case of an attorney-in-fact with
18 respect to whom an interinsurer or a reciprocal
19 insurer has made the election under Section 835 of
20 the Internal Revenue Code, 26 U.S.C. 835, an amount
21 equal to the excess, if any, of the amounts paid or
22 incurred by that interinsurer or reciprocal insurer
23 in the taxable year to the attorney-in-fact over the
24 deduction allowed to that interinsurer or reciprocal
25 insurer with respect to the attorney-in-fact under
26 Section 835(b) of the Internal Revenue Code for the
27 taxable year;

28 (S) For taxable years ending on or after
29 December 31, 1997, in the case of a Subchapter S
30 corporation, an amount equal to all amounts of
31 income allocable to a shareholder subject to the
32 Personal Property Tax Replacement Income Tax imposed
33 by subsections (c) and (d) of Section 201 of this
34 Act, including amounts allocable to organizations

1 exempt from federal income tax by reason of Section
2 501(a) of the Internal Revenue Code. This
3 subparagraph (S) is exempt from the provisions of
4 Section 250;

5 (T) For taxable years 2001 and thereafter, for
6 the taxable year in which the bonus depreciation
7 deduction (30% of the adjusted basis of the
8 qualified property) is taken on the taxpayer's
9 federal income tax return under subsection (k) of
10 Section 168 of the Internal Revenue Code and for
11 each applicable taxable year thereafter, an amount
12 equal to "x", where:

13 (1) "y" equals the amount of the
14 depreciation deduction taken for the taxable
15 year on the taxpayer's federal income tax
16 return on property for which the bonus
17 depreciation deduction (30% of the adjusted
18 basis of the qualified property) was taken in
19 any year under subsection (k) of Section 168 of
20 the Internal Revenue Code, but not including
21 the bonus depreciation deduction; and

22 (2) "x" equals "y" multiplied by 30 and
23 then divided by 70 (or "y" multiplied by
24 0.429).

25 The aggregate amount deducted under this
26 subparagraph in all taxable years for any one piece
27 of property may not exceed the amount of the bonus
28 depreciation deduction (30% of the adjusted basis of
29 the qualified property) taken on that property on
30 the taxpayer's federal income tax return under
31 subsection (k) of Section 168 of the Internal
32 Revenue Code; and

33 (U) If the taxpayer reports a capital gain or
34 loss on the taxpayer's federal income tax return for

1 the taxable year based on a sale or transfer of
2 property for which the taxpayer was required in any
3 taxable year to make an addition modification under
4 subparagraph (E-10), then an amount equal to that
5 addition modification.

6 The taxpayer is allowed to take the deduction
7 under this subparagraph only once with respect to
8 any one piece of property.

9 (3) Special rule. For purposes of paragraph (2)
10 (A), "gross income" in the case of a life insurance
11 company, for tax years ending on and after December 31,
12 1994, shall mean the gross investment income for the
13 taxable year.

14 (c) Trusts and estates.

15 (1) In general. In the case of a trust or estate,
16 base income means an amount equal to the taxpayer's
17 taxable income for the taxable year as modified by
18 paragraph (2).

19 (2) Modifications. Subject to the provisions of
20 paragraph (3), the taxable income referred to in
21 paragraph (1) shall be modified by adding thereto the sum
22 of the following amounts:

23 (A) An amount equal to all amounts paid or
24 accrued to the taxpayer as interest or dividends
25 during the taxable year to the extent excluded from
26 gross income in the computation of taxable income;

27 (B) In the case of (i) an estate, \$600; (ii) a
28 trust which, under its governing instrument, is
29 required to distribute all of its income currently,
30 \$300; and (iii) any other trust, \$100, but in each
31 such case, only to the extent such amount was
32 deducted in the computation of taxable income;

33 (C) An amount equal to the amount of tax
34 imposed by this Act to the extent deducted from

1 gross income in the computation of taxable income
2 for the taxable year;

3 (D) The amount of any net operating loss
4 deduction taken in arriving at taxable income, other
5 than a net operating loss carried forward from a
6 taxable year ending prior to December 31, 1986;

7 (E) For taxable years in which a net operating
8 loss carryback or carryforward from a taxable year
9 ending prior to December 31, 1986 is an element of
10 taxable income under paragraph (1) of subsection (e)
11 or subparagraph (E) of paragraph (2) of subsection
12 (e), the amount by which addition modifications
13 other than those provided by this subparagraph (E)
14 exceeded subtraction modifications in such taxable
15 year, with the following limitations applied in the
16 order that they are listed:

17 (i) the addition modification relating to
18 the net operating loss carried back or forward
19 to the taxable year from any taxable year
20 ending prior to December 31, 1986 shall be
21 reduced by the amount of addition modification
22 under this subparagraph (E) which related to
23 that net operating loss and which was taken
24 into account in calculating the base income of
25 an earlier taxable year, and

26 (ii) the addition modification relating
27 to the net operating loss carried back or
28 forward to the taxable year from any taxable
29 year ending prior to December 31, 1986 shall
30 not exceed the amount of such carryback or
31 carryforward;

32 For taxable years in which there is a net
33 operating loss carryback or carryforward from more
34 than one other taxable year ending prior to December

1 31, 1986, the addition modification provided in this
2 subparagraph (E) shall be the sum of the amounts
3 computed independently under the preceding
4 provisions of this subparagraph (E) for each such
5 taxable year;

6 (F) For taxable years ending on or after
7 January 1, 1989, an amount equal to the tax deducted
8 pursuant to Section 164 of the Internal Revenue Code
9 if the trust or estate is claiming the same tax for
10 purposes of the Illinois foreign tax credit under
11 Section 601 of this Act;

12 (G) An amount equal to the amount of the
13 capital gain deduction allowable under the Internal
14 Revenue Code, to the extent deducted from gross
15 income in the computation of taxable income;

16 (G-5) For taxable years ending after December
17 31, 1997, an amount equal to any eligible
18 remediation costs that the trust or estate deducted
19 in computing adjusted gross income and for which the
20 trust or estate claims a credit under subsection (l)
21 of Section 201;

22 (G-10) For taxable years 2001 and thereafter,
23 an amount equal to the bonus depreciation deduction
24 (30% of the adjusted basis of the qualified
25 property) taken on the taxpayer's federal income tax
26 return for the taxable year under subsection (k) of
27 Section 168 of the Internal Revenue Code; and

28 (G-11) If the taxpayer reports a capital gain
29 or loss on the taxpayer's federal income tax return
30 for the taxable year based on a sale or transfer of
31 property for which the taxpayer was required in any
32 taxable year to make an addition modification under
33 subparagraph (G-10), then an amount equal to the
34 aggregate amount of the deductions taken in all

1 taxable years under subparagraph (R) with respect to
2 that property.†

3 The taxpayer is required to make the addition
4 modification under this subparagraph only once with
5 respect to any one piece of property;

6 and by deducting from the total so obtained the sum of
7 the following amounts:

8 (H) An amount equal to all amounts included in
9 such total pursuant to the provisions of Sections
10 402(a), 402(c), 403(a), 403(b), 406(a), 407(a) and
11 408 of the Internal Revenue Code or included in such
12 total as distributions under the provisions of any
13 retirement or disability plan for employees of any
14 governmental agency or unit, or retirement payments
15 to retired partners, which payments are excluded in
16 computing net earnings from self employment by
17 Section 1402 of the Internal Revenue Code and
18 regulations adopted pursuant thereto;

19 (I) The valuation limitation amount;

20 (J) An amount equal to the amount of any tax
21 imposed by this Act which was refunded to the
22 taxpayer and included in such total for the taxable
23 year;

24 (K) An amount equal to all amounts included in
25 taxable income as modified by subparagraphs (A),
26 (B), (C), (D), (E), (F) and (G) which are exempt
27 from taxation by this State either by reason of its
28 statutes or Constitution or by reason of the
29 Constitution, treaties or statutes of the United
30 States; provided that, in the case of any statute of
31 this State that exempts income derived from bonds or
32 other obligations from the tax imposed under this
33 Act, the amount exempted shall be the interest net
34 of bond premium amortization;

1 (L) With the exception of any amounts
2 subtracted under subparagraph (K), an amount equal
3 to the sum of all amounts disallowed as deductions
4 by (i) Sections 171(a) (2) and 265(a)(2) of the
5 Internal Revenue Code, as now or hereafter amended,
6 and all amounts of expenses allocable to interest
7 and disallowed as deductions by Section 265(1) of
8 the Internal Revenue Code of 1954, as now or
9 hereafter amended; and (ii) for taxable years ending
10 on or after August 13, 1999, Sections 171(a)(2),
11 265, 280C, and 832(b)(5)(B)(i) of the Internal
12 Revenue Code; the provisions of this subparagraph
13 are exempt from the provisions of Section 250;

14 (M) An amount equal to those dividends
15 included in such total which were paid by a
16 corporation which conducts business operations in an
17 Enterprise Zone or zones created under the Illinois
18 Enterprise Zone Act and conducts substantially all
19 of its operations in an Enterprise Zone or Zones;

20 (N) An amount equal to any contribution made
21 to a job training project established pursuant to
22 the Tax Increment Allocation Redevelopment Act;

23 (O) An amount equal to those dividends
24 included in such total that were paid by a
25 corporation that conducts business operations in a
26 federally designated Foreign Trade Zone or Sub-Zone
27 and that is designated a High Impact Business
28 located in Illinois; provided that dividends
29 eligible for the deduction provided in subparagraph
30 (M) of paragraph (2) of this subsection shall not be
31 eligible for the deduction provided under this
32 subparagraph (O);

33 (P) An amount equal to the amount of the
34 deduction used to compute the federal income tax

1 credit for restoration of substantial amounts held
2 under claim of right for the taxable year pursuant
3 to Section 1341 of the Internal Revenue Code of
4 1986;

5 (Q) For taxable year 1999 and thereafter, an
6 amount equal to the amount of any (i) distributions,
7 to the extent includible in gross income for federal
8 income tax purposes, made to the taxpayer because of
9 his or her status as a victim of persecution for
10 racial or religious reasons by Nazi Germany or any
11 other Axis regime or as an heir of the victim and
12 (ii) items of income, to the extent includible in
13 gross income for federal income tax purposes,
14 attributable to, derived from or in any way related
15 to assets stolen from, hidden from, or otherwise
16 lost to a victim of persecution for racial or
17 religious reasons by Nazi Germany or any other Axis
18 regime immediately prior to, during, and immediately
19 after World War II, including, but not limited to,
20 interest on the proceeds receivable as insurance
21 under policies issued to a victim of persecution for
22 racial or religious reasons by Nazi Germany or any
23 other Axis regime by European insurance companies
24 immediately prior to and during World War II;
25 provided, however, this subtraction from federal
26 adjusted gross income does not apply to assets
27 acquired with such assets or with the proceeds from
28 the sale of such assets; provided, further, this
29 paragraph shall only apply to a taxpayer who was the
30 first recipient of such assets after their recovery
31 and who is a victim of persecution for racial or
32 religious reasons by Nazi Germany or any other Axis
33 regime or as an heir of the victim. The amount of
34 and the eligibility for any public assistance,

1 benefit, or similar entitlement is not affected by
2 the inclusion of items (i) and (ii) of this
3 paragraph in gross income for federal income tax
4 purposes. This paragraph is exempt from the
5 provisions of Section 250;

6 (R) For taxable years 2001 and thereafter, for
7 the taxable year in which the bonus depreciation
8 deduction (30% of the adjusted basis of the
9 qualified property) is taken on the taxpayer's
10 federal income tax return under subsection (k) of
11 Section 168 of the Internal Revenue Code and for
12 each applicable taxable year thereafter, an amount
13 equal to "x", where:

14 (1) "y" equals the amount of the
15 depreciation deduction taken for the taxable
16 year on the taxpayer's federal income tax
17 return on property for which the bonus
18 depreciation deduction (30% of the adjusted
19 basis of the qualified property) was taken in
20 any year under subsection (k) of Section 168 of
21 the Internal Revenue Code, but not including
22 the bonus depreciation deduction; and

23 (2) "x" equals "y" multiplied by 30 and
24 then divided by 70 (or "y" multiplied by
25 0.429).

26 The aggregate amount deducted under this
27 subparagraph in all taxable years for any one piece
28 of property may not exceed the amount of the bonus
29 depreciation deduction (30% of the adjusted basis of
30 the qualified property) taken on that property on
31 the taxpayer's federal income tax return under
32 subsection (k) of Section 168 of the Internal
33 Revenue Code; and

34 (S) If the taxpayer reports a capital gain or

1 loss on the taxpayer's federal income tax return for
2 the taxable year based on a sale or transfer of
3 property for which the taxpayer was required in any
4 taxable year to make an addition modification under
5 subparagraph (G-10), then an amount equal to that
6 addition modification.

7 The taxpayer is allowed to take the deduction
8 under this subparagraph only once with respect to
9 any one piece of property.

10 (3) Limitation. The amount of any modification
11 otherwise required under this subsection shall, under
12 regulations prescribed by the Department, be adjusted by
13 any amounts included therein which were properly paid,
14 credited, or required to be distributed, or permanently
15 set aside for charitable purposes pursuant to Internal
16 Revenue Code Section 642(c) during the taxable year.

17 (d) Partnerships.

18 (1) In general. In the case of a partnership, base
19 income means an amount equal to the taxpayer's taxable
20 income for the taxable year as modified by paragraph (2).

21 (2) Modifications. The taxable income referred to
22 in paragraph (1) shall be modified by adding thereto the
23 sum of the following amounts:

24 (A) An amount equal to all amounts paid or
25 accrued to the taxpayer as interest or dividends
26 during the taxable year to the extent excluded from
27 gross income in the computation of taxable income;

28 (B) An amount equal to the amount of tax
29 imposed by this Act to the extent deducted from
30 gross income for the taxable year;

31 (C) The amount of deductions allowed to the
32 partnership pursuant to Section 707 (c) of the
33 Internal Revenue Code in calculating its taxable
34 income;

1 (D) An amount equal to the amount of the
2 capital gain deduction allowable under the Internal
3 Revenue Code, to the extent deducted from gross
4 income in the computation of taxable income;

5 (D-5) For taxable years 2001 and thereafter,
6 an amount equal to the bonus depreciation deduction
7 (30% of the adjusted basis of the qualified
8 property) taken on the taxpayer's federal income tax
9 return for the taxable year under subsection (k) of
10 Section 168 of the Internal Revenue Code; and

11 (D-6) If the taxpayer reports a capital gain
12 or loss on the taxpayer's federal income tax return
13 for the taxable year based on a sale or transfer of
14 property for which the taxpayer was required in any
15 taxable year to make an addition modification under
16 subparagraph (D-5), then an amount equal to the
17 aggregate amount of the deductions taken in all
18 taxable years under subparagraph (D) with respect to
19 that property.†

20 The taxpayer is required to make the addition
21 modification under this subparagraph only once with
22 respect to any one piece of property;

23 and by deducting from the total so obtained the following
24 amounts:

25 (E) The valuation limitation amount;

26 (F) An amount equal to the amount of any tax
27 imposed by this Act which was refunded to the
28 taxpayer and included in such total for the taxable
29 year;

30 (G) An amount equal to all amounts included in
31 taxable income as modified by subparagraphs (A),
32 (B), (C) and (D) which are exempt from taxation by
33 this State either by reason of its statutes or
34 Constitution or by reason of the Constitution,

1 treaties or statutes of the United States; provided
2 that, in the case of any statute of this State that
3 exempts income derived from bonds or other
4 obligations from the tax imposed under this Act, the
5 amount exempted shall be the interest net of bond
6 premium amortization;

7 (H) Any income of the partnership which
8 constitutes personal service income as defined in
9 Section 1348 (b) (1) of the Internal Revenue Code
10 (as in effect December 31, 1981) or a reasonable
11 allowance for compensation paid or accrued for
12 services rendered by partners to the partnership,
13 whichever is greater;

14 (I) An amount equal to all amounts of income
15 distributable to an entity subject to the Personal
16 Property Tax Replacement Income Tax imposed by
17 subsections (c) and (d) of Section 201 of this Act
18 including amounts distributable to organizations
19 exempt from federal income tax by reason of Section
20 501(a) of the Internal Revenue Code;

21 (J) With the exception of any amounts
22 subtracted under subparagraph (G), an amount equal
23 to the sum of all amounts disallowed as deductions
24 by (i) Sections 171(a) (2), and 265(2) of the
25 Internal Revenue Code of 1954, as now or hereafter
26 amended, and all amounts of expenses allocable to
27 interest and disallowed as deductions by Section
28 265(1) of the Internal Revenue Code, as now or
29 hereafter amended; and (ii) for taxable years ending
30 on or after August 13, 1999, Sections 171(a)(2),
31 265, 280C, and 832(b)(5)(B)(i) of the Internal
32 Revenue Code; the provisions of this subparagraph
33 are exempt from the provisions of Section 250;

34 (K) An amount equal to those dividends

1 included in such total which were paid by a
2 corporation which conducts business operations in an
3 Enterprise Zone or zones created under the Illinois
4 Enterprise Zone Act, enacted by the 82nd General
5 Assembly, and conducts substantially all of its
6 operations in an Enterprise Zone or Zones;

7 (L) An amount equal to any contribution made
8 to a job training project established pursuant to
9 the Real Property Tax Increment Allocation
10 Redevelopment Act;

11 (M) An amount equal to those dividends
12 included in such total that were paid by a
13 corporation that conducts business operations in a
14 federally designated Foreign Trade Zone or Sub-Zone
15 and that is designated a High Impact Business
16 located in Illinois; provided that dividends
17 eligible for the deduction provided in subparagraph
18 (K) of paragraph (2) of this subsection shall not be
19 eligible for the deduction provided under this
20 subparagraph (M);

21 (N) An amount equal to the amount of the
22 deduction used to compute the federal income tax
23 credit for restoration of substantial amounts held
24 under claim of right for the taxable year pursuant
25 to Section 1341 of the Internal Revenue Code of
26 1986;

27 (O) For taxable years 2001 and thereafter, for
28 the taxable year in which the bonus depreciation
29 deduction (30% of the adjusted basis of the
30 qualified property) is taken on the taxpayer's
31 federal income tax return under subsection (k) of
32 Section 168 of the Internal Revenue Code and for
33 each applicable taxable year thereafter, an amount
34 equal to "x", where:

1 (1) "y" equals the amount of the
2 depreciation deduction taken for the taxable
3 year on the taxpayer's federal income tax
4 return on property for which the bonus
5 depreciation deduction (30% of the adjusted
6 basis of the qualified property) was taken in
7 any year under subsection (k) of Section 168 of
8 the Internal Revenue Code, but not including
9 the bonus depreciation deduction; and

10 (2) "x" equals "y" multiplied by 30 and
11 then divided by 70 (or "y" multiplied by
12 0.429).

13 The aggregate amount deducted under this
14 subparagraph in all taxable years for any one piece
15 of property may not exceed the amount of the bonus
16 depreciation deduction (30% of the adjusted basis of
17 the qualified property) taken on that property on
18 the taxpayer's federal income tax return under
19 subsection (k) of Section 168 of the Internal
20 Revenue Code; and

21 (P) If the taxpayer reports a capital gain or
22 loss on the taxpayer's federal income tax return for
23 the taxable year based on a sale or transfer of
24 property for which the taxpayer was required in any
25 taxable year to make an addition modification under
26 subparagraph (D-5), then an amount equal to that
27 addition modification.

28 The taxpayer is allowed to take the deduction
29 under this subparagraph only once with respect to
30 any one piece of property.

31 (e) Gross income; adjusted gross income; taxable income.

32 (1) In general. Subject to the provisions of
33 paragraph (2) and subsection (b) (3), for purposes of
34 this Section and Section 803(e), a taxpayer's gross

1 income, adjusted gross income, or taxable income for the
2 taxable year shall mean the amount of gross income,
3 adjusted gross income or taxable income properly
4 reportable for federal income tax purposes for the
5 taxable year under the provisions of the Internal Revenue
6 Code. Taxable income may be less than zero. However, for
7 taxable years ending on or after December 31, 1986, net
8 operating loss carryforwards from taxable years ending
9 prior to December 31, 1986, may not exceed the sum of
10 federal taxable income for the taxable year before net
11 operating loss deduction, plus the excess of addition
12 modifications over subtraction modifications for the
13 taxable year. For taxable years ending prior to December
14 31, 1986, taxable income may never be an amount in excess
15 of the net operating loss for the taxable year as defined
16 in subsections (c) and (d) of Section 172 of the Internal
17 Revenue Code, provided that when taxable income of a
18 corporation (other than a Subchapter S corporation),
19 trust, or estate is less than zero and addition
20 modifications, other than those provided by subparagraph
21 (E) of paragraph (2) of subsection (b) for corporations
22 or subparagraph (E) of paragraph (2) of subsection (c)
23 for trusts and estates, exceed subtraction modifications,
24 an addition modification must be made under those
25 subparagraphs for any other taxable year to which the
26 taxable income less than zero (net operating loss) is
27 applied under Section 172 of the Internal Revenue Code or
28 under subparagraph (E) of paragraph (2) of this
29 subsection (e) applied in conjunction with Section 172 of
30 the Internal Revenue Code.

31 (2) Special rule. For purposes of paragraph (1) of
32 this subsection, the taxable income properly reportable
33 for federal income tax purposes shall mean:

34 (A) Certain life insurance companies. In the

1 case of a life insurance company subject to the tax
2 imposed by Section 801 of the Internal Revenue Code,
3 life insurance company taxable income, plus the
4 amount of distribution from pre-1984 policyholder
5 surplus accounts as calculated under Section 815a of
6 the Internal Revenue Code;

7 (B) Certain other insurance companies. In the
8 case of mutual insurance companies subject to the
9 tax imposed by Section 831 of the Internal Revenue
10 Code, insurance company taxable income;

11 (C) Regulated investment companies. In the
12 case of a regulated investment company subject to
13 the tax imposed by Section 852 of the Internal
14 Revenue Code, investment company taxable income;

15 (D) Real estate investment trusts. In the
16 case of a real estate investment trust subject to
17 the tax imposed by Section 857 of the Internal
18 Revenue Code, real estate investment trust taxable
19 income;

20 (E) Consolidated corporations. In the case of
21 a corporation which is a member of an affiliated
22 group of corporations filing a consolidated income
23 tax return for the taxable year for federal income
24 tax purposes, taxable income determined as if such
25 corporation had filed a separate return for federal
26 income tax purposes for the taxable year and each
27 preceding taxable year for which it was a member of
28 an affiliated group. For purposes of this
29 subparagraph, the taxpayer's separate taxable income
30 shall be determined as if the election provided by
31 Section 243(b) (2) of the Internal Revenue Code had
32 been in effect for all such years;

33 (F) Cooperatives. In the case of a
34 cooperative corporation or association, the taxable

1 income of such organization determined in accordance
2 with the provisions of Section 1381 through 1388 of
3 the Internal Revenue Code;

4 (G) Subchapter S corporations. In the case
5 of: (i) a Subchapter S corporation for which there
6 is in effect an election for the taxable year under
7 Section 1362 of the Internal Revenue Code, the
8 taxable income of such corporation determined in
9 accordance with Section 1363(b) of the Internal
10 Revenue Code, except that taxable income shall take
11 into account those items which are required by
12 Section 1363(b)(1) of the Internal Revenue Code to
13 be separately stated; and (ii) a Subchapter S
14 corporation for which there is in effect a federal
15 election to opt out of the provisions of the
16 Subchapter S Revision Act of 1982 and have applied
17 instead the prior federal Subchapter S rules as in
18 effect on July 1, 1982, the taxable income of such
19 corporation determined in accordance with the
20 federal Subchapter S rules as in effect on July 1,
21 1982; and

22 (H) Partnerships. In the case of a
23 partnership, taxable income determined in accordance
24 with Section 703 of the Internal Revenue Code,
25 except that taxable income shall take into account
26 those items which are required by Section 703(a)(1)
27 to be separately stated but which would be taken
28 into account by an individual in calculating his
29 taxable income.

30 (f) Valuation limitation amount.

31 (1) In general. The valuation limitation amount
32 referred to in subsections (a) (2) (G), (c) (2) (I) and
33 (d)(2) (E) is an amount equal to:

34 (A) The sum of the pre-August 1, 1969

1 appreciation amounts (to the extent consisting of
2 gain reportable under the provisions of Section 1245
3 or 1250 of the Internal Revenue Code) for all
4 property in respect of which such gain was reported
5 for the taxable year; plus

6 (B) The lesser of (i) the sum of the
7 pre-August 1, 1969 appreciation amounts (to the
8 extent consisting of capital gain) for all property
9 in respect of which such gain was reported for
10 federal income tax purposes for the taxable year, or
11 (ii) the net capital gain for the taxable year,
12 reduced in either case by any amount of such gain
13 included in the amount determined under subsection
14 (a) (2) (F) or (c) (2) (H).

15 (2) Pre-August 1, 1969 appreciation amount.

16 (A) If the fair market value of property
17 referred to in paragraph (1) was readily
18 ascertainable on August 1, 1969, the pre-August 1,
19 1969 appreciation amount for such property is the
20 lesser of (i) the excess of such fair market value
21 over the taxpayer's basis (for determining gain) for
22 such property on that date (determined under the
23 Internal Revenue Code as in effect on that date), or
24 (ii) the total gain realized and reportable for
25 federal income tax purposes in respect of the sale,
26 exchange or other disposition of such property.

27 (B) If the fair market value of property
28 referred to in paragraph (1) was not readily
29 ascertainable on August 1, 1969, the pre-August 1,
30 1969 appreciation amount for such property is that
31 amount which bears the same ratio to the total gain
32 reported in respect of the property for federal
33 income tax purposes for the taxable year, as the
34 number of full calendar months in that part of the

1 taxpayer's holding period for the property ending
2 July 31, 1969 bears to the number of full calendar
3 months in the taxpayer's entire holding period for
4 the property.

5 (C) The Department shall prescribe such
6 regulations as may be necessary to carry out the
7 purposes of this paragraph.

8 (g) Double deductions. Unless specifically provided
9 otherwise, nothing in this Section shall permit the same item
10 to be deducted more than once.

11 (h) Legislative intention. Except as expressly provided
12 by this Section there shall be no modifications or
13 limitations on the amounts of income, gain, loss or deduction
14 taken into account in determining gross income, adjusted
15 gross income or taxable income for federal income tax
16 purposes for the taxable year, or in the amount of such items
17 entering into the computation of base income and net income
18 under this Act for such taxable year, whether in respect of
19 property values as of August 1, 1969 or otherwise.

20 (Source: P.A. 91-192, eff. 7-20-99; 91-205, eff. 7-20-99;
21 91-357, eff. 7-29-99; 91-541, eff. 8-13-99; 91-676, eff.
22 12-23-99; 91-845, eff. 6-22-00; 91-913, eff. 1-1-01; 92-16,
23 eff. 6-28-01; 92-244, eff. 8-3-01; 92-439, eff. 8-17-01;
24 92-603, eff. 6-28-02; 92-626, eff. 7-11-02; 92-651, eff.
25 7-11-02; 92-846, eff. 8-23-02; revised 11-15-02.)

26 (110 ILCS 920/9 rep.)

27 Section 15. The Baccalaureate Savings Act is amended by
28 repealing Section 9.

29 (110 ILCS 979/70 rep.)

30 Section 20. The Illinois Prepaid Tuition Act is amended
31 by repealing Section 70.

1 Section 99. Effective date. This Act takes effect upon
2 becoming law, except that Sections 5, 15, and 20 take effect
3 on January 1, 2004."